



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

September 8, 1998

MEMORANDUM FOR M/FM/CONT: Tony L. Cully, Acting

FROM:

IG/A/PA, David M. Conner

SUBJECT: Audit of USAID's Use of the American Express Travel Card (Audit Report No. 9-000-98-004-P)

This is our draft memorandum audit report summarizing the findings of an audit by the Office of the Inspector General (OIG) regarding travel operations for United States Agency for International Development (USAID) employees located in Washington, D.C. Our audit began as a survey of American Express Company (AMEX) credit card use by OIG employees and was later expanded to include a review of USAID operation and monitoring controls over the Agency-sponsored program for all USAID/Washington employees.

The report contains one recommendation for your action. Please advise my office within 30 days of the actions planned or taken to implement the recommendation. Your written comments, if provided, will be included in the final report as Appendix II.

I appreciate the cooperation and courtesies extended to the OIG staff during this audit.

Background

Travel is one of the many government functions that, through the adoption of best private sector practices and aggressive streamlining, can yield substantial savings to taxpayers. Employees of USAID, including the OIG, who make two or more official trips per year, are instructed to participate in a U.S. government-sponsored program and receive an AMEX credit card for use during their official travel.

On September 30, 1993, AMEX succeeded Diners Club as the contractor for the General Services Administration's (GSA) government-sponsored credit card program.¹ The Agency

¹ On or about November 1, 1998, USAID plans to end its credit card program with AMEX and switch to a GSA government-sponsored Visa credit card travel program. However, USAID's management responsibilities for the Visa credit card travel program are not expected to change.

manages its participation in the GSA contract with AMEX through Agency Program Coordinators (APC's). USAID's Chief of Cash Management and Payments Division within the Office of Financial Management, Bureau for Management (M/FM/CMP) serves as the APC for USAID/Washington and as the principal APC for the Agency. Overseas, the Agency has APC's at its missions who coordinate participation in the AMEX card program for USAID employees in their designated geographic regions.*

Following the change to AMEX, the Agency also changed its former system of travel management by which the Agency made cash travel advances directly to employees, and then tracked each advance to ensure that employees repaid them. Under the revised system, to receive a cash advance for official travel expenses for most USAID official travel, direct hire employees who travel two or more times a year must now participate in the AMEX card program.³ They do this by submitting a signed application to their APC, who forwards the application to AMEX for issuance of a credit card to the employee. Once the AMEX credit card is received, the employee can receive an advance from various AMEX automatic teller machines in the United States and overseas.

Management is responsible for establishing effective controls to ensure compliance with laws and regulations. The General Accounting Office (GAO), in accordance with requirements of the Federal Managers' Financial Integrity Act of 1982, has established standards for agencies to use in developing internal controls for program and financial management areas. This audit was designed to determine if Agency management has reasonable assurance that the Agency-sponsored AMEX credit card program has good internal controls to ensure program objectives are being met.

In December 1996, we issued a special report entitled Coordinated Review of Government Credit Card Programs by the President's Council on Integrity and Efficiency (Report No. 9-000-97-001-S). That review was performed as part of the President's Council on Integrity and Efficiency's effort to assist GSA with new contract proposals and awards for multiple vendor card services and to identify best current practices and control issues or features which needed to be considered. The report generally concluded that the AMEX credit card program is an efficient and effective method for providing USAID employees with travel advances and travel tickets.

² At the time of audit, the Agency was attempting to determine the number and location of these offices as well as determining the names of the mission Agency Program Coordinators.

³ Foreign service national employees and personal service contractors cannot be issued an AMEX credit card and therefore must still receive cash advances from the Agency when they travel. U.S. direct hire employees who live or travel in countries where the AMEX card cannot be used, such as Bosnia, can receive an Agency cash travel advance whether they have been issued an AMEX card or not.

Audit Objective

The Office of Audit's Division of Performance Audits in Washington, D.C. performed an audit to answer the following audit question:

Does USAID have appropriate controls to administer its Agency-sponsored employee travel credit card program?

Appendix I contains a discussion of the scope and methodology for the audit.

Audit Findings

Does USAID have appropriate controls to administer its Agency-sponsored employee travel credit card program?

We found USAID does generally have appropriate controls to administer its Agency-sponsored employee travel credit card program. For the items tested, our review found that most of USAID's employees, who are enrolled in the AMEX credit card program, have used their AMEX credit cards in accordance with USAID General Notices outlining the terms of the AMEX credit card program.⁴

For example, after reviewing AMEX compiled reports of the program for March 1997, January 1998, and February 1998, along with other documentation we found that:⁵

- Employees have generally used their Agency-sponsored AMEX credit cards for official travel purposes, by obtaining cash advances and charging only travel related expenses, such as, hotel costs and airline tickets. For example, we found only 32 transactions that appeared to be questionable out of 653 employee AMEX credit card transactions of \$75 or more over the three month period of March 1997, January 1998, and February 1998.
- Employees usually paid their credit card account balances according to the agreement between AMEX and the respective USAID employee, by paying most outstanding account balances in less than 90 days. For example, we found only 25 out of 2,539 USAID employees AMEX credit card accounts with balances of \$10.00 or more which were 90 days or more old over a two month period, March 1997 (1,209

⁴ As of May 26, 1998, according to M/FM/CMP USAID had 1,007 employees participating in the AMEX credit card program Agency-wide.

⁵ See the Scope and Methodology section in Appendix I of the report for more explanatory details of items tested.

accounts) and February 1998 (1,330 accounts).

- **USAID** generally ensured that employees maintained only one active **Agency**-sponsored AMEX credit card account. Our review of 2,539 employee's AMEX credit card accounts for the periods March 1997 and February 1998 found that only 9 employees were maintaining more than one active Agency-sponsored AMEX credit card account. The APC was not aware that any **USAID** employee had more than one active AMEX credit card account. We were told that AMEX had agreed not to issue more than one active credit card account to an employee with the same social security number and that the APC relied on this policy to ensure only one active AMEX credit card account was available to an employee. While most **USAID** employees have maintained only one active AMEX credit card account as required some have not complied with this requirement by concurrently having more than one active AMEX credit card account under the Agency-sponsored program. Additional monitoring of employee AMEX credit card accounts could help eliminate this problem.

However, as discussed below, we also found that the Agency could improve its internal controls by documenting the procedures.

USAID Needs Written Internal Controls For Its Credit Card Program

The audit disclosed that **USAID** has not developed written procedures for controls over how its Agency-sponsored AMEX credit card program should be operated and monitored as required by "Standards for Internal Controls in the Federal Government", which was issued by the U. S. General Accounting Office (GAO). Those standards include, among other requirements, a specific standard for documentation, which states:

- **Documentation:** Internal control systems and all transactions and other significant events are to be clearly documented and the documentation is to be readily available for examination. This standard requires written evidence of an agency's internal control objectives and techniques. The documentation of internal control systems should include identification of the cycles and related objectives and techniques, and should appear in management directives, administrative policy, and accounting manuals.

USAID has not documented its internal control system for ensuring its Agency-sponsored AMEX credit card program is properly implemented. Although **USAID** General Notices have been issued regarding the program, those Notices generally just inform employees about the program-not the internal control system to ensure the program is properly administered. The principal Agency Program Coordinator (APC) acknowledged that there is not written guidance on how he or the APC's should monitor the AMEX credit card program. The Coordinator believes that thus far the General Notices had worked well to operate and monitor the AMEX travel card program and that other controls such as written guidance

have not been necessary.

Without good written guidance to operate and monitor it's AMEX card program Agency management can not have reasonable assurance that the Agency-sponsored travel credit card program has good internal controls to ensure program objectives are accomplished. Furthermore, in our opinion, a requirement for establishing good written guidance for the Agency employee travel card program, in accordance with GAO's internal control requirements, makes sense. We are therefore making the following recommendation:

Recommendation No. 1: We recommend that the Office of Financial Management, Bureau for Management, establish Agency-wide written internal controls for operating and monitoring the Agency-sponsored employee travel credit card program.

Management Comments and Our Evaluation

In responding to the draft audit report, USAID management expressed that they concur with the recommendation. They stated that the need for written policy in the area of internal controls was recognized prior to the audit. Moreover, a written policy has been developed and is almost complete. It should be published as an ADS chapter within a month.

Based on management's response, a management decision has been made.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General (OIG) conducted an audit to determine if **USAID** has appropriate controls to administer its Agency-sponsored travel credit card program with the American Express Company (AMEX). We conducted our audit in accordance with generally accepted government auditing standards. Fieldwork for the audit took place in Washington, D.C. on an intermittent basis between September 15, 1996 and June 30, 1998. The audit scope, based on monthly AMEX Profile Reports for the period March 1997 through February 1998, covered a judgmental sample of **USAID** employees AMEX credit card charges and account balances.

Our selection criteria, when choosing a judgmental sample of **USAID** employees AMEX credit card accounts to review, considered both active and cancelled accounts. Because the AMEX Profile Reports included information on travel charges and account balances for all Agency employees enrolled in the Agency-sponsored AMEX credit card program, we used this information in selecting our judgmental samples. However, the audit did not include an assessment of whether or not **USAID** field missions had appropriate controls to administer their Agency-sponsored travel credit card programs.

Methodology

In answering the audit objective for this audit, we interviewed **USAID** officials and an AMEX official who acted as a liaison between **USAID** and AMEX concerning the **Agency-sponsored** travel credit card program. To help learn whether or not **USAID** administered appropriate controls over its Agency-sponsored **employee** travel card program, we examined documentation and performed the following tasks:

- reviewed copies of **USAID** General Notices issued to employees explaining the AMEX employee travel credit card program;
- reviewed copies of e-mails sent between the principal Agency Program Coordinator

(APC) and **USAID** employees concerning their AMEX travel credit card accounts;

- reviewed a copy of the AMEX Credit Card Agreement and Application form used by **USAID** employees to join the Agency-sponsored employee travel credit card program;
- reviewed copies of monthly AMEX Profile Reports on **USAID** employee travel credit card activities;
- reviewed AMEX faxes concerning the identity and location of field mission **APC**'s and alleged **USAID** employee problem AMEX credit card accounts, such as, improper charges and delayed payments;
- reviewed all **USAID** employee active and cancelled AMEX travel credit card accounts for the periods of March 1997 and February 1998 to determine the type of travel information being reported and if there were any **USAID** employees with more than one active AMEX travel credit card account.

In carrying out these audit procedures, we established a materiality transaction threshold of 5 percent to consider a finding with a **qualified opinion** and a materiality transaction threshold of 10 percent to consider a finding with an **adverse opinion** for reporting quantitative exceptions to good internal controls.



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AUG 10 1998

MEMORANDUM

TO: IC/A/PA, David M. Conzer
FROM: M/FM/CONT, Tony Gully
SUBJECT: Audit of USAID's Use of the American Express Travel
Card (Audit Report No 9-000-98-00x-P) (Draft)

The following are our comments on the subject audit.

Recommendation No 1: We recommend that the Office of Financial Management, Bureau for Management, establish Agency-wide written internal controls for operating and monitoring the Agency-sponsored employee travel credit card program.

We concur with the recommendation. The need for written policy in this area was recognized prior to the audit. The attached draft ADS Chapter was being researched and under development prior to the start of the audit. The original draft was written and in the formal ADS clearance process prior to the completion of the audit. It is currently being modified based on comments received in the clearance process, and should be published as an ADS chapter in the next 30-60 days. It is expected that it will be included in ADS CD#12. Based on the preceding, we request a management decision determination on the recommendation.

cc: M/FM/PPC, JKeady
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